

**REPORT OF THE AUDIT OF THE
FRANKLIN COUNTY
SCHOOL DISTRICT**

**For The Fiscal Year Ended
June 30, 2014**

ROSS & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.rosscpas.com

800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132

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ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Franklin County School District
Frankfort, Kentucky

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County School District, Frankfort, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Independent Auditor's Contract*, including *Appendix I—Audit Extension Request* and *Appendix II—Instructions for Submissions of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Franklin County School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 6 and 33 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin County School District's basic financial statements. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of the Franklin County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* considering Franklin County School Districts' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross and Company, PLLC
November 12, 2014

**Franklin County School District
Frankfort, Kentucky
Management's Discussion and Analysis (MD & A)
Year Ended June 2014**

As management of the Franklin County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- During the 2013-2014 Fiscal Year the District issued one Bond Issue. The issue is the Series 2013, Energy Conservation Revenue Bonds. The principal amounts of the bond is \$3,215,000 at par and was issued with a cost of 27,928. The Bond series consists of interest yields ranging from 0.45% to 4.20%. The issue is used to fund a guaranteed Energy Savings Contract with Ameresco. The projects consist primarily of lighting and other energy saving improvements. The savings of energy and maintenance are estimated and guaranteed to exceed the bond service cost by \$31,592 over the life of the bond issue.
- The General Fund had \$46,613,383 in revenue, which consisted primarily of State Program revenues (SEEK and on-behalf payments), property taxes, utility taxes, and motor vehicle taxes. There were \$46,179,644 in general fund expenditures and \$88,384 in underfund transfers.
- The District continues to participate in the Kentucky Inter-Local School Transportation Association (KISTA) equipment lease revenue bonds program for the purpose of acquiring replacement buses. The District acquired No buses under this program during the 2013-2014 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues. The district-wide financial statements can be found on pages 9 and 10 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
FRANKLIN COUNTY SCHOOL DISTRICT
JUNE 30, 2014

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds. The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20-34 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$31.9 million as of June 30, 2014.

The largest portion of the District's Net Position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2013 and June 30, 2014

	2013	2014
Current Assets	\$ 12,366,824	\$ 10,013,053
Non-current Assets	85,342,730	86,814,797
Total Assets	\$ 97,709,554	\$ 96,827,850
Deferred Outflow	-	1,461,000
Total Assets & Deferred Outflow	\$ 97,709,554	\$ 98,288,850
Current Liabilities	\$8,059,088	\$ 7,652,590
Non-current Liabilities	59,522,425	58,675,637
Total Liabilities	\$ 67,581,513	\$ 66,328,227
Net Position		
Investment in capital assets (net of debt)	\$ 22,379,483	\$ 24,462,521
Restricted	4,812,116	3,287,914
Unrestricted	2,936,442	4,210,188
Total Net Position	\$ 30,128,041	\$ 31,960,623

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
FRANKLIN COUNTY SCHOOL DISTRICT
JUNE 30, 2014

The following table presents a District wide comparison of changes in Net Position and summary of revenues and expenses for the fiscal years ended June 30, 2013 and June 30, 2014.

	2013	2014
Revenues:		
<i>Program Revenues</i>		
Fees for services	\$ 2,247,199	\$ 2,384,716
Federal/state grants	8,475,915	8,970,193
<i>General Revenues</i>		
Property taxes	17,308,475	17,850,130
Motor Vehicle Tax	1,606,366	1,639,310
Utility taxes	2,781,129	3,092,914
Interest earnings	32,655	7,172
State grants	28,120,666	28,559,647
Other	861,204	1,042,312
Total revenues	61,433,609	63,546,394
Expenses:		
Instruction	\$ 33,693,266	\$ 31,725,394
Student support services	2,862,582	2,779,518
Instructional support	3,009,879	3,167,670
District administration	1,040,589	1,081,759
School administration	3,839,477	3,783,869
Business support	710,448	748,755
Plant operation	4,929,122	1,940,376
Student transportation	4,274,038	3,778,377
Community service	536,970	584,984
Facility Acquisition & Const.	103,691	5,104,641
Debt service - interest	1,482,560	1,987,497
Food service	2,910,039	2,969,029
After school program	1,501,841	1,461,577
Other	136,235	250,598
Total expenditures	61,030,737	61,364,044
Change in Net Position	\$ 402,872	\$ 2,182,350

On-behalf payment amounts are included in the above figures. On-behalf payments, as defined by KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement benefits, debt service, and administration fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
FRANKLIN COUNTY SCHOOL DISTRICT
JUNE 30, 2014

General Fund Budgetary Highlights

- The District's total general fund revenues for the fiscal year ended June 30, 2014, excluding the inter-fund transfers and on behalf payments were \$38,894,689.
- The total cost of all general fund programs and services excluding the inter-fund transfers and on behalf payments was \$37,340,963.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual revenues being \$952,778 more than budgeted by 2.29% favorable percentage points.
- General fund budget expenditures to actual varied from line item to line item with the ending actual expenditures being \$4,183,695 less than budget by 10.05% favorable percentage points.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2013-2014 with an approximate 8.8% contingency. The District has adopted a budget for 2014-2015 with an approximate 13.3 % contingency.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2014 fiscal year, the District had invested \$132,943,408 in a broad range of capital assets, including equipment, buses, buildings, and land. Depreciation expense for the year was \$3,823,629.

	District Capital Assets <u>(net of Depreciation)</u>		
	Governmental Activities	Business-Type Activities	Total
Land	\$ 1,540,460	\$ -	\$ 1,540,460
Land Improvements	1,118,991	-	1,118,991
Buildings & Improvements	80,845,226	-	80,845,226
Equipment	955,272	433,350	1,388,622
Vehicles	1,920,403	-	1,920,403
	<u>\$ 86,380,352</u>	<u>\$ 433,350</u>	<u>86,813,702</u>

Long-Term Debt

The District had \$62,352,276 in bonds/leases outstanding at year-end. The District retired \$3,825,971 of bonded debt during fiscal year 2014.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION

DISTRICT WIDE
As of June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 5,297,901	\$ 845,264	\$ 6,143,165
Investments	3,000,000	-	3,000,000
Other receivables	705,469	75,305	780,774
Inventory	-	89,113	89,113
Total current assets	9,003,370	1,009,682	10,013,052
Non-current Assets			
Land	1,541,736	-	1,541,736
Land Improvements	3,469,577	-	3,469,577
Buildings and improvements	113,853,821	-	113,853,821
Furniture and equipment	12,459,142	1,615,180	14,074,322
Less: Accumulated depreciation	(44,943,926)	(1,181,830)	(46,125,756)
Total non-current assets	86,380,350	433,350	86,813,700
Total assets	95,383,720	1,443,032	96,826,752
 Deferred outflow	 1,461,000	 -	 1,461,000
Total assets and deferred outflow	\$ 96,844,720	\$ 1,443,032	\$ 98,287,752
 LIABILITIES			
Current Liabilities			
Accounts payable	\$ 1,032,875	\$ 11,353	\$ 1,044,228
Deferred revenue	374,309	32,094	406,403
Interest payable	1,913,265	-	1,913,265
Current portion of long-term obligations	3,485,000	-	3,485,000
Current portion of capital lease obligations	359,873	-	359,873
Current portion of sick-leave	132,563	-	132,563
Other current liabilities	311,258	-	311,258
Total current liabilities	7,609,143	43,447	7,652,590
Non-current Liabilities			
Non-current portion of long-term obligation	57,310,000	-	57,310,000
Non-current portion of capital lease obligation	1,197,403	-	1,197,403
Non-current portion of accrued sick leave	168,234	-	168,234
Total non-current liabilities	58,675,637	-	58,675,637
Total liabilities	66,284,780	43,447	66,328,227
 NET POSITION			
Invested in capital assets, net of related debt	24,028,074	433,350	24,461,424
Restricted for:			
Capital projects	2,067,073	-	2,067,073
New Assets	-	877,122	877,122
Other	343,718	-	343,718
Unrestricted	4,121,075	89,113	4,210,188
Total net position	30,559,940	1,399,585	31,959,525
 Total liabilities and net position	\$ 96,844,720	\$ 1,443,032	\$ 98,287,752

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
DISTRICT WIDE
For the year ended June 30, 2014

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental Activities							
Instruction	\$ 31,725,394	\$ 80,289	\$ 3,498,363	\$ -	\$ (28,146,742)	\$ -	\$ (28,146,742)
Support services:							
Student	2,779,518	-	448,450	-	(2,331,068)	-	(2,331,068)
Instruction staff	3,167,670	-	943,999	-	(2,223,671)	-	(2,223,671)
District administrative	1,081,759	-	-	-	(1,081,759)	-	(1,081,759)
School administrative	3,783,869	-	-	-	(3,783,869)	-	(3,783,869)
Business	748,755	-	12,578	-	(736,177)	-	(736,177)
Plant operation and maintenance	1,940,376	-	7,080	-	(1,933,296)	-	(1,933,296)
Student transportation	3,778,377	-	2,690	-	(3,775,687)	-	(3,775,687)
Facilities acquisition and construction	5,104,641	-	468,035	1,272,128	(3,364,478)	-	(3,364,478)
Community service activities	584,620	-	-	-	(584,620)	-	(584,620)
Other	250,598	-	-	-	(250,598)	-	(250,598)
Interest on long-term debt	1,987,497	-	-	-	(1,987,497)	-	(1,987,497)
Total governmental activities	56,933,074	80,289	5,381,195	1,272,128	(50,199,462)	-	(50,199,462)
Business-type Activities							
Food service	2,969,030	806,623	2,140,351	-	-	(22,056)	(22,056)
After School Program	1,461,577	1,497,804	176,519	-	-	212,746	212,746
Total business-type activities	4,430,607	2,304,427	2,316,870	-	-	190,690	190,690
Total school district	\$61,363,681	\$2,384,716	\$ 7,698,065	\$ 1,272,128	\$ (50,199,462)	\$ 190,690	\$ (50,008,772)
General Revenues							
Property taxes					\$ 17,451,055	\$ -	\$ 17,451,055
Delinquent property tax					399,075	-	399,075
Motor vehicle taxes					1,639,310	-	1,639,310
Utility taxes					3,092,914	-	3,092,914
Other taxes					800,003	-	800,003
Investment earnings					6,572	600	7,172
State aid formula grants					28,559,647	-	28,559,647
Gain (Loss) on sale of fixed assets					(7,756)	-	(7,756)
Miscellaneous					248,604	-	248,604
Transfers					135,658	(135,658)	-
Total general revenues					52,325,082	(135,058)	52,190,024
Change in net position					2,125,620	55,632	2,181,252
Net position - beginning					28,784,088	1,343,953	30,128,041
Prior Period Adjustment					(349,768)	-	(349,768)
Net position - ending					\$ 30,559,940	\$ 1,399,585	\$ 31,959,525

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,374,204	\$ 146,989	\$ 1,638,128	\$ 1,138,580	\$ 5,297,901
Investments	3,000,000	-	-	-	3,000,000
Other receivables	455,586	249,883	-	-	705,469
Total assets	<u>\$ 5,829,790</u>	<u>\$ 396,872</u>	<u>\$ 1,638,128</u>	<u>\$ 1,138,580</u>	<u>\$ 9,003,370</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 445,213	\$ 22,563	\$ 565,099	\$ -	\$ 1,032,875
Deferred revenue	-	374,309	-	-	374,309
Other current liabilities	311,258	-	-	-	311,258
Total liabilities	<u>756,471</u>	<u>396,872</u>	<u>565,099</u>	<u>-</u>	<u>1,718,442</u>
Fund Balances					
Restricted:					
Sick Leave Payable	157,953	-	-	-	157,953
Future Construction	-	-	1,073,029	-	1,073,029
SFCC Escrow	-	-	-	994,044	994,044
Other	-	-	-	144,536	144,536
Committed:					
Site Base CFWD	185,765	-	-	-	185,765
Unassigned:	4,729,601	-	-	-	4,729,601
Total fund balances	<u>5,073,319</u>	<u>-</u>	<u>1,073,029</u>	<u>1,138,580</u>	<u>7,284,928</u>
Total liabilities and fund balances	<u>\$ 5,829,790</u>	<u>\$ 396,872</u>	<u>\$ 1,638,128</u>	<u>\$ 1,138,580</u>	<u>\$ 9,003,370</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS -
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total Fund Balance-Governmental Funds	\$ 7,284,928
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental:

Cost of capital	\$ 131,324,276	
Accumulated depreciation	(44,943,926)	
Deferred outflow	<u>1,461,000</u>	87,841,350

Long-term liabilities including bonds payable are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Bonds payable	(60,795,000)	
Capital lease payable	(1,557,276)	
Interest payable	(1,913,265)	
Sick leave	<u>(300,797)</u>	<u>(64,566,338)</u>

Total Net Position-Governmental Funds	<u>\$ 30,559,940</u>
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See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2014

	General Fund	Special Revenue	Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources					
Property taxes	\$ 14,515,907	\$ -	\$ -	\$ 3,334,223	\$ 17,850,130
Motor vehicle taxes	1,639,310	-	-	-	1,639,310
Utility taxes	3,092,914	-	-	-	3,092,914
Other taxes	800,003	-	-	-	800,003
Earnings on investments	5,931	70	641	-	6,642
Other local revenues	230,913	199,406	41,447	-	471,766
State sources					
SEEK	18,259,280	-	-	1,272,128	19,531,408
On Behalf Payments	8,838,681	-	-	1,230,942	10,069,623
Other	167,590	2,163,117	-	-	2,330,707
Federal - indirect	63,154	3,018,602	-	-	3,081,756
Other revenues	-	-	-	-	-
Total revenues	<u>47,613,683</u>	<u>5,381,195</u>	<u>42,088</u>	<u>5,837,293</u>	<u>58,874,259</u>
Expenditures					
Instruction	27,127,305	3,586,747		-	30,714,052
Support services					
Student	2,325,985	448,450		-	2,774,435
Instruction staff	2,130,735	943,999		-	3,074,734
District administration	1,081,542	-		-	1,081,542
School administration	3,782,910	-		-	3,782,910
Business	733,036	12,578		-	745,614
Plant operation and maintenance	5,022,488	7,080		42,472	5,072,040
Student transportation	3,373,327	2,690		-	3,376,017
Facilities acquisition and construction	-	-	5,104,641	-	5,104,641
Community service activities	113,395	468,035	-	-	581,430
Debt service	488,921	-	-	5,330,630	5,819,551
Total expenditures	<u>46,179,644</u>	<u>5,469,579</u>	<u>5,104,641</u>	<u>5,373,102</u>	<u>62,126,966</u>
Excess (deficit) of revenues over expenditures	<u>1,434,039</u>	<u>(88,384)</u>	<u>(5,062,553)</u>	<u>464,191</u>	<u>(3,252,707)</u>
Other Financing Sources (uses)					
Bond proceeds	-	-	3,159,848	-	3,159,848
Other financing sources- Not transfers	56,533	-	-	-	56,533
Operating transfers in	135,658	88,384	319,655	4,099,688	4,643,385
Operating transfers out	(88,384)	-		(4,419,343)	(4,507,727)
Total other financing sources (uses)	<u>103,807</u>	<u>88,384</u>	<u>3,479,503</u>	<u>(319,655)</u>	<u>3,352,039</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>1,537,846</u>	<u>-</u>	<u>(1,583,050)</u>	<u>144,536</u>	<u>99,332</u>
Net change in fund balances	1,537,846	-	(1,583,050)	144,536	99,332
Fund balance, July 1, 2013	3,535,473	-	2,656,079	994,044	7,185,596
Fund balance, June 30, 2014	<u>\$ 5,073,319</u>	<u>\$ -</u>	<u>\$ 1,073,029</u>	<u>\$ 1,138,580</u>	<u>\$ 7,284,928</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY PUBLIC SCHOOLS DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Total net change in fund balances- governmental funds	\$ 99,332
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.	1,530,132
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In the statement of activities, only the gain on the sale of asset is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balances by the basis of the asset sold.	(7,756)
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Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which bond proceeds exceed principal payments.	666,123
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In the statement of activities, certain operating expenses such as compensated absences (sick leave), are measured by the amount earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year special termination benefits paid exceed the amounts earned.	82,304
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Interest on long-term debt in the statement of activities differs from the amount reported in governmental funds because interest is recorded as an expenditure in the fund when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of accrued interest on bonds.	<u>(244,515)</u>
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Change in Net Position - Governmental Funds	<u><u>\$ 2,125,620</u></u>
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See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

As of June 30, 2014

ASSETS	<u>Food Service Fund</u>	<u>After School Programs</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 540,026	\$ 305,238	\$ 845,264
Other receivables	63,453	11,852	75,305
Inventory	89,113	-	89,113
Total current assets	<u>692,592</u>	<u>317,090</u>	<u>1,009,682</u>
Noncurrent Assets			
Furniture and equipment	1,615,180	-	1,615,180
Less: Accumulated depreciation	(1,181,830)	-	(1,181,830)
Total noncurrent assets	<u>433,350</u>	<u>-</u>	<u>433,350</u>
Total assets	<u><u>\$ 1,125,942</u></u>	<u><u>\$ 317,090</u></u>	<u><u>\$ 1,443,032</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 4,857	\$ 6,496	\$ 11,353
Deferred Revenue	32,094	-	32,094
Total current liabilities	<u>36,951</u>	<u>6,496</u>	<u>43,447</u>
Total liabilities	<u>36,951</u>	<u>6,496</u>	<u>43,447</u>
NET POSITION			
Invested in capital assets, net of related debt	433,350	-	433,350
Restricted for:			
Net Position	566,528	310,594	877,122
Inventory	89,113	-	89,113
Total net position	<u>1,088,991</u>	<u>310,594</u>	<u>1,399,585</u>
Total liabilities and net position	<u><u>\$ 1,125,942</u></u>	<u><u>\$ 317,090</u></u>	<u><u>\$ 1,443,032</u></u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

For the year ended June 30, 2014

	Food Service Fund	After School Programs	Total
Operating Revenues			
Service sales	\$ 806,623	\$ 1,497,804	\$ 2,304,427
Total operating revenues	<u>806,623</u>	<u>1,497,804</u>	<u>2,304,427</u>
Operating Expenses			
Salaries and wages	1,512,471	1,202,845	2,715,316
Professional and contract services	35,419	78,713	114,132
Supplies and materials	1,259,878	128,111	1,387,989
Depreciation	86,047	-	86,047
Other operating expenses	75,215	51,908	127,123
Total operating expenses	<u>2,969,030</u>	<u>1,461,577</u>	<u>4,430,607</u>
Operating income (loss)	<u>(2,162,407)</u>	<u>36,227</u>	<u>(2,126,180)</u>
Non-operating revenues (expenses)			
Federal grants	1,910,828	-	1,910,828
State grants	229,523	176,519	406,042
Interest income	600	-	600
Total non-operating revenues (expenses)	<u>2,140,951</u>	<u>176,519</u>	<u>2,317,470</u>
Other Financing Sources (Uses)			
Operating transfers out	-	(135,658)	(135,658)
Total other financing sources (uses)		<u>(135,658)</u>	<u>(135,658)</u>
Net income (loss)	(21,456)	77,088	55,632
Total net position, July 1, 2013	<u>1,110,447</u>	<u>233,506</u>	<u>1,343,953</u>
Total net position, June 30, 2014	<u><u>\$ 1,088,991</u></u>	<u><u>\$ 310,594</u></u>	<u><u>\$ 1,399,585</u></u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2014

	Food Service Fund	After School Program	Total
Cash Flows from Operating Activities			
Cash received from service sales	\$ 768,528	\$ 1,497,561	\$ 2,266,089
Cash payments to employees for services	(1,512,471)	(1,202,845)	(2,715,316)
Cash payments to suppliers for goods and services	(1,298,559)	(213,639)	(1,512,198)
Cash payments for other operating activities	(75,215)	(51,908)	(127,123)
Net cash from operating activities	<u>(2,117,717)</u>	<u>29,169</u>	<u>(2,088,548)</u>
Cash Flows from Capital Financing Activities			
Acquisition of capital assets	(35,005)	-	(35,005)
Net cash from capital financing activities	<u>(35,005)</u>	<u>-</u>	<u>(35,005)</u>
Cash Flows from Noncapital Financing Activities			
Non-operating grants received	2,140,351	176,519	2,316,870
Transfers	-	(135,658)	(135,658)
Net cash from noncapital financing activities	<u>2,140,351</u>	<u>40,861</u>	<u>2,181,212</u>
Cash Flows from Investing Activities			
Interest on investments	600	-	600
Net cash flows from investing activities	<u>600</u>	<u>-</u>	<u>600</u>
Net increase in cash and cash equivalents	(11,771)	70,030	58,259
Cash and cash equivalents - beginning	551,797	235,208	787,005
Cash and cash equivalents - ending	<u>\$ 540,026</u>	<u>\$ 305,238</u>	<u>\$ 845,264</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (2,162,407)	\$ 36,227	\$ (2,126,180)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	86,047	-	86,047
Changes in assets and liabilities:			
Receivables	(13,838)	(243)	(14,081)
Inventory	(743)	-	(743)
Deferred Revenue	(24,257)	-	(24,257)
Accounts payable	(2,519)	(6,815)	(9,334)
Net Cash Provided by Operating Activities	<u>\$ (2,117,717)</u>	<u>\$ 29,169</u>	<u>\$ (2,088,548)</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

June 30, 2014

ASSETS	<u>Trust/Agency Fund</u>
Current Assets	
Due from other funds	<u>\$ 720,553</u>
Total assets	<u><u>\$ 720,553</u></u>
LIABILITIES	
Current Liabilities	
Due to school groups	<u>\$ 720,553</u>
Total net position and liabilities	<u><u>\$ 720,553</u></u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE- FIDUCIARY FUNDS

For the year ended June 30, 2014

	<u>Trust/Agency Fund</u>
Additions	
Revenues from student activities	\$ 1,649,947
Deduction	
Non-instructional expenses	<u>(1,685,445)</u>
Change in revenues over expenses	(35,498)
Due to school groups - beginning (restated)	<u>756,051</u>
Due to school groups - ending	<u><u>\$ 720,553</u></u>

See accompanying notes to financial statements.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

For the fiscal year ending June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Franklin County School District (District) is the basic level of government, which has financial accountability and control over all activities related to the public school education within the jurisdiction of the Franklin County School District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Board members are elected by the public and have decision-making authority, the authority to levy taxes,

the power to designate management, the ability to significantly influence operations and have primary financial accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB pronouncements. In accordance with GASB Standard 14, financial transactions of the following component unit are incorporated in the accompanying financial statements.

Franklin County School District Finance Corporation – The Franklin County School District resolved to authorize the establishment of the Franklin County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The board members of the Franklin County School District also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements:

The statement of Net Position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segments or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting:

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures or expenses as appropriate. The various funds are summarized by type in the financial statements. The District uses the following funds:

Governmental Fund Types:

General Fund - The General Fund is the primary operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of grants from local, state and federal revenue sources that are legally restricted to expenditures for specified purposes. Project accounting is employed to maintain integrity for the various sources of funds. Federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report.

Construction Fund – The Construction Fund is used to account for all resources including proceeds from bond sales for the authorized acquisition and construction of capital facilities.

Capital Outlay Fund - The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives \$100 per the District's adjusted average daily attendance restricted for use in financing projects as identified in the District's facility plan.

Building Fund - The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, as applicable. Funds may be used for projects identified in the District's facility plan.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

Proprietary Fund Type

Food Service - The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). No amounts have been recorded for in-kind contribution of USDA commodities on the financial statements, except as required by the Single Audit Act as presented on the Schedule of Expenditures of Federal Awards. The aggregations of non-major funds are After School Program Fund.

Adult Education - The Adult Education Fund accounts for the funds to provide educational programs to the community.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Type

The School Activity Funds are fiduciary funds used to account for student activity organizations in accordance with the Accounting Procedures for Kentucky School Activity Funds. Financial statements of groups and organizations associated with the school system but not originated within the District (e.g., Band Boosters, Parent-Teacher Associations, etc.) are not included within school activity funds.

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds include a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds that are presented in the fund financial statements use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

Exchange and Non-exchange transactions – There are two types of transactions: exchange and non-exchange. The method of determining revenue recognition (i.e., accrual v. modified accrual) depends upon the type of exchange as well as source of revenue. Exchange transactions occur when each party receives essentially equal value. Non-exchange transactions occur when one party receives value without directly giving equal value in return.

Modified Accrual - Revenue from non-exchange transactions (e.g., grants, entitlements and donations) must be available to be recognized. These sources of revenue are recognized in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenues from exchange transactions are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For the District, “available” means within sixty days of June 30. Property tax revenue is recognized in the fiscal year for which the taxes are levied. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Under the modified basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Accrual - Under the accrual basis of accounting, revenues are recorded when an exchange takes place. Expenses are recognized at the time they are incurred.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Kentucky Law, appropriations lapse at fiscal year end. Encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary fund type considers highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Inventories

On the government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

Budget

The District is required by state law to adopt a budget annually. The budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP). Once the District approves the budget, it can be amended. Budget appropriations lapse at year-end.

Fund Balances

The School Board has implemented GASB Statement 54 employing new terminology and classifications for fund balance items.

Non-spendable Fund Balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. At June 30, 2014, the District did not have non-spendable fund balances.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the District had \$1,073,029 as restricted capital projects in the Construction Fund for future construction. Also at June 30, 2014 the District had \$334,423 restricted in the Building Fund and \$659,621 restricted in Capital Outlay Fund as SFCC Escrow. The District restricted \$157,953 for Sick Leave, along with 144,536 in other restrictions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment. The District had committed \$185,765 for Site Based CWFD in the General Fund June 30, 2014.

Assigned fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrances of funds. Assigned fund balances also include (a) all remaining amounts (except for negative amounts balances) that are reported in governmental funds, other than the general fund, that are not classified as non-spendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for specific purposes.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District considers unrestricted amounts to have been spent when an expenditure is incurred for a purpose in which both restricted and unrestricted fund balances are available. Also, the District has established the order of assigned, committed, and restricted funds when an expenditure is incurred for purposes in which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents consist of amounts deposited in interest bearing accounts. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2014, the carrying amount of the District's combined deposits (cash and cash equivalents) excluding school activity funds was \$8,550,026 and the combined bank balances totaled \$9,258,660. The bank balances were covered by the combination of FDIC insurance and collateral held by the District's agent in the District's name at June 30, 2014.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). All deposits meet current guidelines.

NOTE 2. SAFEGUARDING CASH AND CASH EQUIVALENTS (CONTINUED)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 Deposits that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 2.

Statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements. The investment pool and repurchase agreements are considered nonparticipating contracts. The District has a repurchase agreement whereby daily bank deposits sweep to an interest bearing overnight account. Such agreements can be categorized according to three levels of risk. These three levels of risk are:

Category 1 Investments that are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 Investments that are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 Uninsured and unregistered investments held by the counter party, its trust or its agent, but not in the District's name.

The District's investment in repurchase agreements is classified by risk level as Category 2.

NOTE 3. PROPERTY TAXES

Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2014, to finance the General Fund operations were \$.623 per \$100 valuation for real property, \$.623 per \$100 valuation for business personal property and \$.51 per \$100 valuation for motor vehicles.

NOTE 4. RETIREMENT PLANS

Kentucky Teachers' Retirement System

Pension Plan

The Franklin County School System contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of the KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE).

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS web site at <http://www.ktrs.ky.gov/>.

Funding policy - Contribution rates are established by KRS. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members before July 1, 2008 and 14.105% of salaries for members after July, 1, 2008. The federal program for any salaries paid by that program pays the matching contributions of 14.605%.

Medical Insurance Plan

Plan description - In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy - In order to fund the post-employment healthcare benefit, four and one half percent (4.5%) of gross annual payroll of members before July 1, 2008 is contributed. Two and one quarter percent (2.25%) is paid by member contributions and three quarters percents (.75%) from state appropriation and one and one half percent (1.50%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

The Franklin County School System's total payroll for the year was \$33,667,494. The payroll for employees covered under KTRS was \$24,558,982. For the year ended June 30, 2014, the Commonwealth contributed \$3,083,397 to KTRS for the benefit of participating employees. The School districts contributions to KTRS for the year ending June 30, 2014 were \$192,800 which represents those employees covered by federal programs.

NOTE 4. RETIREMENT PLANS (CONTINUED)

County Employees Retirement System

The District has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The District's contribution rate for nonhazardous employees was 18.89 percent.

The District's contribution for FY 2012 was \$1,560,790, FY 2013 was \$1,834,988, and FY 2014 was \$1,678,640.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

NOTE 5. LIABILITY FOR COMPENSATED ABSENCES

Certified employees are awarded a maximum of 10 days of sick leave annually, based upon employment contract terms and District policy. Sick leave is accrued without limitation. Upon retirement from the school system, a certified employee receives from the District an amount equal to 30% of the value of accumulated sick leave at the current daily rate of pay. At June 30, 2014, the estimate for those employees over 55 with 5 or more of service is \$300,797, in which \$132,563 is short-term and \$168,234 is long term, both recorded on the District-wide financial statements.

NOTE 6. CAPITAL ASSETS

Capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of Net Position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of Net Position and in the respective funds.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure.

Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Life in Years</u>
Buildings and Improvements	25-50
Land Improvements	20
Technology Equipment	5
Vehicles	5-10
Audio-Visual Equipment	15
Food Service Equipment	10-12
Furniture and Fixtures	7
Rolling Stock	15
Other	10

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FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 6. CAPITAL ASSETS (CONTINUED)

	June 30, 2013	Additions	Retirements	June 30, 2014
Governmental Assets				
Cost				
Land	\$ 1,541,737	\$ -	\$ -	\$ 1,541,737
Land Improvements	3,469,577	-	-	3,469,577
Buildings & Improvements	98,825,028	15,028,793	-	113,853,821
Construction in Progress	9,879,674	-	(9,879,674)	-
Technology Equipment	3,989,851	-	(94,105)	3,895,746
Other	1,791,197	118,232	(47,641)	1,861,788
Vehicles	6,929,381	-	(227,772)	6,701,609
Totals at historical cost	126,426,445	15,147,025	(10,249,192)	131,324,278
Less: Accumulated Depreciation				
Land Improvements	2,232,605	117,981	-	2,350,586
Land	1,064	213	-	1,277
Buildings & Improvements	30,244,971	2,763,624	-	33,008,595
Technology Equipment	3,247,130	306,578	(92,646)	3,461,062
Other	1,272,215	110,330	(41,345)	1,341,200
Vehicles	4,570,121	438,857	(227,772)	4,781,206
Total accumulated depreciation	41,568,106	3,737,583	(361,763)	44,943,926
NET	\$ 84,858,339	\$ 11,409,442	\$ (9,887,429)	\$ 86,380,353
Food Service				
Cost				
Technology Equipment	\$ 99,705	\$ -	\$ -	\$ 99,705
Vehicles	28,549	-	-	28,549
General Equipment	1,451,922	35,005	-	1,486,927
Totals at historical cost	1,580,176	35,005	-	1,615,181
Less: Accumulated Depreciation				
Technology Equipment	96,803	2,077	-	98,880
Vehicles	28,549	-	-	28,549
General Equipment	970,432	83,969	-	1,054,401
Total accumulated depreciation	1,095,784	86,046	-	1,181,830
NET	\$ 484,392	\$ (51,041)	\$ -	\$ 433,351

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS

The District is required to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Franklin County School District Finance Corporation to construct school facilities. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in accordance with state law.

The maturity date, original amounts of the issue and interest rates are summarized below:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2013		2014	
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2004B	16,855,000	4/1/2024	4.48%	\$ 785,000	\$ -	\$ 785,000	\$ -
2004R	2,120,000	3/1/2015	2.62%	55,000	-	30,000	25,000
2005	3,855,000	5/1/2025	4.29%	-			-
2005R	3,275,000	5/1/2017	3.60%	1,580,000	-	370,000	1,210,000
2007	11,220,000	5/1/2027	4.41%	10,340,000	-	165,000	10,175,000
2008R	1,690,000	7/1/2020	3.16%	1,350,000	-	145,000	1,205,000
2009R	1,810,000	1/1/2019	2.98%	1,120,000	-	175,000	945,000
2010	3,410,000	5/1/1930	2.65%	3,365,000	-	15,000	3,350,000
2010R	7,440,000	8/1/2021	2.63%	6,515,000	-	460,000	6,055,000
2012	10,050,000	6/1/2032	3.85%	9,970,000		80,000	9,890,000
2012R	5,750,000	5/1/2023	2.05%	5,670,000		410,000	5,260,000
2012BR	10,550,000	4/1/2024	4.00%	10,510,000		125,000	10,385,000
2013R	10,235,000	4/1/2025	3.00%	9,735,000		495,000	9,240,000
				-	3,215,000	160,000	3,055,000
TOTAL				<u>\$ 60,995,000</u>	<u>\$ 3,215,000</u>	<u>\$ 3,415,000</u>	<u>\$ 60,795,000</u>

The District has entered into “participation agreements” with the School Facilities Commission. The Kentucky General Assembly created the Commission for the purpose of assisting local school districts in meeting school construction needs. The table on page 30 sets forth the amount to be paid by the District and the Commission for each year until maturity of all bonds issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding. The District is liable for all issues; however, School Facilities Construction Commission participates by contributing those portions of debt that are appropriated in the State’s biennial budget.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District including amount to be paid by the Commission, at June 30, 2014 for debt service (principal and interest) are shown on the following page.

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

**FRANKLIN COUNTY SCHOOL DISTRICTS
SCHEDULE OF DEBT PAYMENTS
AS OF JUNE 30, 2014**

YEAR	FRANKLIN COUNTY SCHOOL DISTRICT		SCHOOL FACILITIES CONSTRUCTION		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2015	\$ 2,507,298	\$ 1,615,811	\$ 977,702	\$ 254,598	\$ 5,355,409
2016	2,572,832	1,556,432	967,168	230,943	5,327,375
2017	2,642,527	1,494,665	992,473	207,154	5,336,819
2018	2,715,799	1,426,375	939,201	182,578	5,263,953
2019	2,782,056	1,364,819	957,944	160,164	5,264,983
2020	2,854,216	1,299,554	765,784	137,102	5,056,656
2021	2,940,471	1,230,447	779,529	120,332	5,070,779
2022	3,005,687	1,158,086	794,313	103,241	5,061,327
2023	3,137,339	1,096,459	812,661	84,290	5,130,749
2024	3,260,929	1,021,568	754,071	60,453	5,097,021
2025	3,499,605	902,567	130,395	37,140	4,569,707
2026	3,681,946	785,856	133,054	32,756	4,633,612
2027	3,842,364	630,205	137,636	28,174	4,638,379
2028	2,748,528	450,100	101,472	23,236	3,323,336
2029	2,504,470	345,552	105,530	19,177	2,974,729
2030	2,590,564	250,518	119,436	14,956	2,975,474
2031	1,890,826	151,422	124,174	10,178	2,176,600
2032	1,894,721	75,789	130,279	5,211	2,106,000
TOTAL	\$ 51,072,178	\$ 16,856,225	\$ 9,722,822	\$ 1,711,683	\$ 79,362,908

The issue date, original amounts of the KISTA issue and interest rates are summarized below:

<u>KISTA Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	2013			2014
				<u>Outstanding Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding Balance</u>
2004	441,927	3/1/2014	1.00-3.50%	\$ 41,296		\$ 41,296	\$ -
2005	718,440	3/1/2015	3.00-3.625%	135,227		66,480	68,747
2006	629,202	3/1/2016	3.30-4.00%	188,109		68,522	119,587
2006B	477,939	3/1/2017	3.50-3.875%	198,924		51,321	147,603
2008	306,699	3/1/2018	3.00-3.76%	154,757		30,978	123,779
2009	100,935	3/1/2019	2.00-3.90%	60,278		9,866	50,412
2009C	265,503	3/1/2020	2.00-3.60%	183,763		25,446	158,317
2011	81,036	3/1/2021	1.00-4.00%	63,342		7,643	55,699
2012	409,204	3/1/2022	2.0-2.625%	364,698		46,079	318,619
2013	577,853	3/1/2023	2.00%	577,853		63,340	514,513
TOTAL				\$ 1,968,247	\$ -	\$ 410,971	\$ 1,557,276

NOTE 7. GENERAL LONG-TERM DEBT AND LEASE OBLIGATIONS (CONTINUED)

The following is a schedule by years of the future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

**FRANKLIN COUNTY SCHOOLS
SCHEDULE OF KISTA PAYMENTS
AS OF JUNE 30, 2014**

YEAR	FRANKLIN COUNTY SCHOOL DISTRICT		TOTAL
	PRINCIPAL	INTEREST	
2015	\$ 359,873	\$ 42,856	\$ 402,729
2016	279,973	31,795	311,768
2017	219,257	23,219	242,476
2018	173,630	16,949	190,579
2019	143,221	12,353	155,574
2020	134,978	8,839	143,817
2021	105,083	5,497	110,580
2022	88,990	3,061	92,051
2023	52,271	1,045	53,316
TOTAL	<u>\$ 1,557,276</u>	<u>\$ 145,614</u>	<u>\$ 1,702,890</u>

NOTE 8. OPERATING FUND TRANSFERS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	KETS offer of Assistance	\$ 88,384
Operating	After School Program	General	Staffing	135,658
Operating	Capital Outlay	Construction	Approved Projects	319,655
Operating	Building	Debt Service	Bond Payments	4,039,688
Operating	Capital Outlay	Debt Service	Bond Payments	60,000
Total Transfers				<u>\$ 4,643,385</u>

NOTE 9. DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance/Net Position. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance/Net Position:

Construction Fund	(\$1,583,050)
Food Service	(\$21,454)

NOTE 10. RISK MANAGEMENT

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, including Workers' Compensation insurance.

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such funds in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving a ninety (90) day notice. In the event the Trust terminates coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Litigation

The Board of Education is the defendant in lawsuits arising principally in the normal course of operations. The Board is covered by insurance against this type of liability. At this time, the administration is unable to make an evaluation regarding the likelihood of an unfavorable outcome or any possible financial implication to the Board of Education.

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements.

NOTE 12. BUDGETARY DISCLOSURE REQUIREMENTS

Budgetary comparisons for the General Fund and Special Revenue Fund are disclosed as required supplementary information. "On behalf" contributions made by the Commonwealth of Kentucky were recorded in the District's records as revenues and expenditures. The purpose of the policy change was to conform to requirements of the GASB 34 reporting model. The District's budget appropriations did not reflect this change in policy.

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

NOTE 13. ON-BEHALF PAYMENTS

The District receives on-behalf payments from the State of Kentucky for items including retirement and insurance. The amount received for the fiscal year ended June 30, 2014 was \$10,446,612. On-behalf payments for the current fiscal year were as follows:

General Fund	\$	8,838,681
Debt Service		1,230,942
Food Service		200,470
After School Care		<u>176,519</u>
Total	\$	<u>10,446,612</u>

NOTE 14. PRIOR PERIOD ADJUSTMENT

Due to the adaptation of GASB 65 previous bond issuance cost is now expensed instead of capitalized, therefore a prior period adjustment was necessary.

Net Position July 1, 2013	\$	28,784,088
Prior Period Adjustment		<u>(349,768)</u>
Restated Net Position July 1, 2013	\$	<u>28,434,320</u>

FRANKLIN COUNTY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended June 30, 2014

	Working budget Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Taxes					
Property taxes	\$ 14,670,831	\$14,670,831	\$14,515,907	\$ (154,924)	-1.06%
Motor vehicle taxes	1,521,574	1,521,574	1,639,310	117,736	7.74%
Utility taxes	2,800,000	2,800,000	3,092,914	292,914	10.46%
Other taxes	729,314	729,314	800,003	70,689	9.69%
Earnings on investments	15,000	15,000	5,931	(9,069)	-60.46%
Other local revenues	241,931	241,931	230,913	(11,018)	-4.55%
State Sources					
SEEK	17,824,802	17,824,802	18,259,280	434,478	2.44%
On Behalf	-	-	8,838,681	8,838,681	100.00%
Other	184,000	184,000	230,744	46,744	25.40%
Federal-Indirect	43,000	43,000	63,154	20,154	46.87%
Other	5,000	5,000	56,533	51,533	1030.66%
Inter-fund transfers	48,400	48,400	135,658	87,258	180.29%
Beginning Balance	3,529,190	3,529,190	3,535,473	6,283	0.18%
Less: On-Behalf Payments	-	-	(8,838,681)	(8,838,681)	
TOTAL REVENUES	41,613,042	41,613,042	42,565,820	952,778	2.29%
EXPENDITURES					
Instructional	21,380,010	21,484,198	27,127,305	(5,643,107)	-26.27%
Student services					
Student	1,775,423	1,775,625	2,325,985	(550,360)	-31.00%
Instructional staff	1,855,340	1,761,569	2,130,735	(369,166)	-20.96%
District administrative	1,019,681	1,054,681	1,081,542	(26,861)	-2.55%
School administrative	3,100,081	3,044,011	3,782,910	(738,899)	-24.27%
Business	628,687	653,287	733,036	(79,749)	-12.21%
Plant operation and maintenance	4,288,498	4,288,498	5,022,488	(733,990)	-17.12%
Student transportation	3,355,774	3,325,303	3,373,327	(48,024)	-1.44%
Community Services	49,751	49,751	113,395	(63,644)	-127.93%
Debt service	700,506	700,506	488,921	211,585	30.20%
Inter-fund transfers	108,094	108,094	88,384	19,710	18.23%
Contingency	3,351,197	3,367,519	-	3,367,519	100.00%
Less: On-Behalf Payments	-	-	(8,838,681)	8,838,681	
TOTAL EXPENDITURES	41,613,042	41,613,042	37,429,347	4,183,695	10.05%
Excess (Deficit) of Revenues Over Expenditures	\$ -	\$ -	\$5,136,473	\$ 5,136,473	12.34%

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

FRANKLIN COUNTY SCHOOL DISTRICT
SPECIAL FUND
BUDGETARY COMPARISON SCHEDULE
For the year ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)	Variance % Favorable (Unfavorable)
REVENUES					
From local sources					
Earnings on investments	\$ -	\$ -	\$ 70	\$ 70	100.00%
Other local revenues	40,032	120,932	199,406	78,474	64.89%
Intergovernmental - state	2,063,825	2,096,152	2,163,117	66,965	3.19%
Intergovernmental - Federal	2,593,920	2,827,319	3,018,602	191,283	6.77%
Inter-fund transfers	108,094	108,094	88,384	(19,710)	-18.23%
TOTAL REVENUES	<u>4,805,871</u>	<u>5,152,497</u>	<u>5,469,579</u>	<u>317,082</u>	<u>6.15%</u>
EXPENDITURES					
Instructional	3,662,259	3,787,657	3,586,747	200,910	5.30%
Student services:					
Student	147,227	147,227	448,450	(301,223)	-204.60%
Instructional staff	562,844	745,872	943,999	(198,127)	-26.56%
Business	-	-	12,578	(12,578)	100.00%
Plant operation and maintenance	2,500	10,880	7,080	3,800	34.93%
Student transportation	3,499	743	2,690	(1,947)	-262.05%
Community services	427,542	460,118	468,035	(7,917)	-1.72%
TOTAL EXPENDITURES	<u>4,805,871</u>	<u>5,152,497</u>	<u>5,469,579</u>	<u>(317,082)</u>	<u>-6.15%</u>
Excess (Deficit) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0.00%</u>

NOTE: BUDGET INFORMATION IS DERIVED FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT, WHICH MAY VARY FROM THE BASIC FINANCIAL STATEMENTS. THE VARIATIONS ARE PRIMARILY DUE TO PRESENTATION OF OTHER FINANCING SOURCES (USES) OF FUNDS AND TRANSFERS.

FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2014

	<u>Building Fund</u>	<u>Capital Outlay Fund</u>	<u>Total Non- Major Funds</u>
ASSETS			
Cash and cash equivalents	\$ 342,740	\$ 795,840	\$ 1,138,580
Total assets	<u>\$ 342,740</u>	<u>\$ 795,840</u>	<u>\$ 1,138,580</u>
LIABILITIES AND FUND BALANCES			
Fund Balances			
Restricted:			
Restricted for KSFCC Escrow	\$ 209,625	\$ 191,758	\$ 401,383
Restricted for SFCC Escrow Current Year	124,798	467,863	592,661
Other	8,317	136,219	144,536
Total fund balances	<u>\$ 342,740</u>	<u>\$ 795,840</u>	<u>\$ 1,138,580</u>
Total liabilities and fund balances	<u>\$ 342,740</u>	<u>\$ 795,840</u>	<u>\$ 1,138,580</u>

FRANKLIN COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the year ended June 30, 2014

	Capital Outlay Fund	Building Fund	Debt Service Fund	Total Non-major Govt. Funds
Revenues				
From local sources				
Property taxes	\$ -	\$ 3,334,223	\$ -	\$ 3,334,223
State sources				
SEEK	558,346	713,782	-	1,272,128
On Behalf Payments	-	-	1,230,942	1,230,942
Total revenues	<u>558,346</u>	<u>4,048,005</u>	<u>1,230,942</u>	<u>5,837,293</u>
Expenditures				
Support services				
Plant operation and maintenance	42,472		-	42,472
Debt service	-		5,330,630	5,330,630
Total expenditures	<u>42,472</u>	<u>-</u>	<u>5,330,630</u>	<u>5,373,102</u>
Excess (deficit) of revenues over expenditures	<u>515,874</u>	<u>4,048,005</u>	<u>(4,099,688)</u>	<u>464,191</u>
Other Financing Sources (Uses)				
Operating transfers in	-	-	4,099,688	4,099,688
Operating transfers out	(379,655)	(4,039,688)		(4,419,343)
Total other financing sources (uses)	<u>(379,655)</u>	<u>(4,039,688)</u>	<u>4,099,688</u>	<u>(319,655)</u>
Net change in fund balances	136,219	8,317	-	144,536
Fund balance, July 1, 2013	<u>659,621</u>	<u>334,423</u>	<u>-</u>	<u>994,044</u>
Fund balance, June 30, 2014	<u>\$ 795,840</u>	<u>\$ 342,740</u>	<u>\$ -</u>	<u>\$ 1,138,580</u>

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2014
General	290	2,995	(1,878)	(1,005)	402
Family Resources	-				-
Field Trips	25	125	(150)	-	-
Interest	177	-	(92)	-	85
Postage	31	78	-	(10)	99
Parking	1,232	1,095	(2,025)	905	1,207
Mann Acct	-				-
State Textbooks	573	36,499	(28,722)	(7,388)	962
Agenda Books	-	22	(4,455)	4,433	-
Rewards Picnic	-				-
FEA	1,193	-	(48)	-	1,145
Lost & Stolen Textbooks	62	100	-	-	162
Textbook Rentals	-				-
Social Committee	210	305	(480)	(20)	15
Coke Sales	243	99	-	-	342
Snack Machines	-				-
Teachers Lounge	389	867	(607)	-	649
Recyclables	-				-
Athletic	6,606	113,547	(105,298)	1,108	15,963
Toyota Classic	82	-	-	(82)	-
FB Playoffs	-	4,107	(1,974)	(2,133)	-
Boys Basketball Camp	4,456	2,576	(4,331)	-	2,701
Girls Basketball Camp	749	3	(750)	-	2
Boys Tennis	294	60	(293)	-	61
Cheerleaders	6,669	12,600	(17,210)	1	2,060
Swimming Team	-	510	(503)	-	7
Flyerette Tennis	126	2,090	(2,167)	-	49
Flyer Athletic Club	149	-	(135)	-	14
Softball Showcase	3,613	3,880	(6,833)	(5)	655
Step Team	-				-
Art Club	684	696	(807)	-	573
Art Fund	1,776	670	(165)	40	2,321
Donnelly	-				-
Beta Clb	842	12,240	(12,147)	(510)	425
DECA	1,144	8,894	(9,369)	-	669
FBLA	-				-
FFA	2,069	2,773	(4,767)	-	75
Hometown Scholars	-				-
Film Club	-				-
Academic Club	252	402	(499)	(25)	130
Key Club	744	2,777	(3,311)	(60)	150

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2014
Math Dept	320	382	(340)	-	362
Multi Cultural Club	-				-
National Honor Society	274	950	(760)	-	464
Pep Club	190	-	-	(25)	165
SADD	-				-
Spanish Club	-				-
S.T.A.N.D.	-				-
Spanish Honor Society	-				-
Student Council	212	3,000	(2,713)	125	624
Tri M Honor Society	-				-
Vernissage	5,341	1,565	(930)	-	5,976
Y Club	4	12,127	(12,007)	(50)	74
FCCLA	272	5,649	(5,893)	(28)	-
Floral Design Fund	-				-
Trainer	24	226	(142)	(108)	-
AP Bio	304	-	-	-	304
Broadcast Journalist	-				-
Drama	7,487	11,045	(10,340)	(75)	8,117
English Dept	1,113	2,101	(2,112)	-	1,102
Hat Day	-				-
Journalism	-				-
Spanish Dept	-				-
Spanish Sales	-				-
Football Quarterback	-	-	-	1,223	1,223
Workbook Business	-				-
ROTC O & M	-	2,379	(5,757)	3,378	-
ROTC Cadet Meals	-				-
ROTC RPA	-				-
ROTC Cadet Tl	-				-
ROTC Fundraiser	46	23,072	(18,753)	(3,428)	937
Class of 2009	-				-
Class of 2010	-				-
Sophomore Class	90	-	-	-	90
Class of 2012	-				-
Class of 2013	1,344	-	(125)	(1,219)	-
Class of 2014	-	12,025	(16,644)	4,682	63
Former Classes	-				-
Counselor Fund	1,893	39	(433)	-	1,499
Guidance Office JCPS	113	288	-	(288)	113
AP Exams	13,563	23,282	(23,329)	68	13,584
Library Fund	393	177	(21)	19	568

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2014
PSAT	1,062	864	(872)	288	1,342
Yearbook Ads	25,195	12,400	(13,666)	37	23,966
Miss FCHS Pageant	-	100	-	(100)	-
Franktown Showdown	-				-
Richards Memorial	-				-
Pearce Scholarship	300	-	-	-	300
Boys Basketball Pageant	-				-
Greenhouse	529	2,490	-	-	3,019
Tennis Court Beautification	1,464	-	-	-	1,464
Track	-				-
Project Graduation	-				-
RTI/Novel Stars	-				-
Angel Fund	-				-
Shining Star Fund	8,052	-	(2,744)	(80)	5,228
Science Dept	52	-	-	-	52
Jenn Penn Memorial	500	-	-	-	500
Economics	-				-
KRA Staples	-				-
Dance Team	508	-	-	39	547
Book Club	-				-
AP US History	-				-
Social Studies	167	297	(435)	135	164
FX Freshmen	-				-
Plato Headphones	-				-
FB Bowls	14	-	-	-	14
New Greenhouse	-				-
Market Game	-				-
Dig Pink Fund	-				-
Dig Pink Fund	-				-
Summer School	-				-
Archery	156	4,722	(2,425)	115	2,568
Poetry Out Loud	-				-
Track	1,545	1,458	(1,514)	11	1,500
Stephanie Decker Fund	-				-
Red Cross Tornado Victim	-				-
Morgan CO YSC	-				-
FX Freshmen	-				-
Bass club	94	2,797	(2,496)	(160)	235
Soccer Camp	\$ 565	\$ 10,015	\$ (4,138)	\$ 140	\$ 6,582
Band Camp	28	150	-	-	178
Junior Class	442	-	-	(442)	-

FRANKLIN COUNTY SCHOOL DISTRICT
FRANKLIN COUNTY HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2014
Girls Golf Club	652	-	(722)	70	-
Cross Country Booster	17,377	8,970	(17,629)	(239)	8,479
Soar	2,913	-	(2,137)	(336)	440
Fort Lang Field Trip	650	626	(100)	(626)	550
AP Gov	420	-	-	-	420
AP Spanish	-	415	(415)	-	-
Flyer Connection	-	10,060	(9,562)	1,565	2,063
French Honor Society	-	100	-	(100)	-
Young Democrats	-	35	-	-	35
FCA	-	200	-	-	200
World HS Fishing	-	-	-	160	160
SB Player Fees	-	4,980	(3,611)	-	1,369
Young Republicans	-	406	(406)	-	-
Total	<u>\$ 130,348</u>	<u>\$ 369,402</u>	<u>\$ (372,187)</u>	<u>\$ -</u>	<u>\$ 127,563</u>

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2014
Operating Fund	\$ 1,063	\$ 793	\$ (3,317)	\$ 1,917	\$ 456
Agendas	695	-	(206)	(489)	-
Postage	-	-	-	82	82
Building	389	248	(910)	351	78
Coke Students	736	457	(1,033)	(160)	-
Coke Teachers Lounge	582	1,211	(1,005)	-	788
Interest	454	-	(450)	(4)	-
Lost Textbook	92	82	(58)	(116)	-
Parking Fees	52	1,545	(456)	(690)	451
Principals Special	137	1,750	(1,886)	-	1
Textbook Rental	507	30,250	(20,499)	(6,435)	3,823
Contingency	477	-	(320)	-	157
Students Needs	14	-	-	(14)	-
Student Incentives	86	-	(154)	174	106
Sr Legacy	1,243	-	(727)	(516)	-
Class of 2012	2,565	500	(500)	(2,565)	-
Class of 2013	3,898	35	(1,830)	(2,080)	23
Class of 2014	278	10,353	(14,467)	7,753	3,917
Class of 2015	350	-	-	-	350
Athletic Budget	12,700	57,026	(61,717)	200	8,209
Athletic Admin Special	2,047	-	-	-	2,047
Boys Golf Special	5,655	350	(580)	-	5,425
Soccer Field Maint	1,669	-	-	(1,669)	-
Baseball Special	10,081	13,080	(16,845)	4	6,320
BBK Special	3,114	15,911	(12,314)	-	6,711
Cheerleaders	7,560	16,662	(19,205)	-	5,017
Dance Team	51	-	-	-	51
Football Special	5,442	37,918	(36,157)	418	7,621
Girls Golf Special	310	1,961	(1,488)	120	903
Boys Soccer	6,354	2,884	(4,356)	834	5,716
GBK Special	6,116	6,797	(8,507)	70	4,476
Softball	9,305	5,090	(12,596)	90	1,889
Swim Special	136	675	(808)	-	3
Track Special	7,980	4,121	(5,007)	-	7,094
Volleyball Special	5,294	15,151	(17,037)	80	3,488
Cross Country Special	1,270	1,807	(1,985)	-	1,092
Dist/Reg Tournament	-	36,270	(31,246)	-	5,024
Tennis Special	1,126	1,139	(1,453)	-	812

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2014
Wrestling Special	600	5,228	(2,839)	(35)	2,954
Girls Soccer	559	9,380	(5,658)	799	5,080
Sports Scholarships	620	-	-	(620)	-
Athletic Programs	2,163	2,530	(1,203)	(362)	3,128
GBK Special	437	1,403	(1,041)	-	799
BBK Special Coach	467	915	(925)	-	457
Football Special	921	704	(470)	-	1,155
Trista Shoemaker Sc	4,103	150	(1,000)	-	3,253
Archery	4,903	9,691	(6,995)	-	7,599
Academic Club	740	661	(779)	-	622
Art Club	22	240	(115)	-	147
Beta Club	2,845	22,311	(24,276)	(35)	845
Y-Club	-	7,990	(7,835)	(35)	120
Cultural Diversity	42	-	-	-	42
Drama Club	11,622	4,734	(10,525)	3,143	8,974
Ecology Club	269	5	-	-	274
FFA	3,948	17,855	(18,979)	(117)	2,707
FCCLA	2,830	26,678	(26,876)	(410)	2,222
French Honor Society	46	481	(372)	(36)	119
Jr. Civitan	2	-	-	(2)	-
GEMS	66	-	-	(66)	-
National Honor Society	1,078	862	(1,593)	(35)	312
Pep Club	677	2,209	(1,588)	(70)	1,228
SADD	112	-	-	(112)	-
Spanish Honor Society	442	310	(544)	-	208
Student Council	1,682	18	-	(35)	1,665
Jr. Historians	235	90	(55)	(35)	235
Book Club	7	9	-	-	16
Wolverine Warehouse	577	630	(656)	-	551
Future Educators	21	363	(329)	(35)	20
Film Club	524	295	(755)	20	84
DECA	741	2,224	(2,371)	(35)	559
Young Republicans	68	210	(184)	(35)	59
Young Democrats	119	-	-	-	119
PTO	698	554	-	-	1,252
Poetry Out Loud	2,804	161	(161)	-	2,804
PTO Technology	38	-	-	-	38
Advance KY	109	-	-	(109)	-

FRANKLIN COUNTY SCHOOL DISTRICT
WESTERN HILLS HIGH SCHOOL ACTIVITY FUND
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

Individual Funds	Fund Balance June 30, 2013	Receipts	Disburse- ments	Transfers In / (Out)	Fund Balance June 30, 2014
Key Club	481	245	(286)	-	440
Mu Alpha Theta	785	835	(1,115)	(55)	450
Gay/Straight Alliance	90	-	-	(35)	55
Band	2	-	(120)	250	132
Business Dept	8	-	-	-	8
Chorus	8	250	(210)	-	48
Technology	418	-	-	-	418
English Dept	294	-	-	-	294
FAMCO Fees	129	340	(502)	460	427
Foreign Language	35	-	-	-	35
Humanities	24	-	-	-	24
AG Dept	1,027	-	(250)	388	1,165
Journalism-Print	376	-	-	-	376
Library	229	124	(279)	-	74
Math Dept	284	-	-	-	284
PE Dept	15	-	-	-	15
Resource Spec Ed	6	-	-	-	6
Science Dept	213	-	(18)	-	195
Social Studies	46	-	-	-	46
VO-AG	388	-	-	(388)	-
Health Sciences	4	-	-	(4)	-
Horticulture	8,756	5,463	(7,895)	-	6,324
JROTC	108	-	-	(108)	-
Outdoor Classroom	200	-	-	-	200
Counselors	3,427	28,110	(28,906)	267	2,898
Counselor Special	231	-	550	(231)	550
Learning Center	23,494	1,912	(6,637)	(15,113)	3,656
Learning Center Pay	14	-	(15,000)	14,986	-
Pageant	-	7,144	(1,334)	(5,586)	224
Yearbook	7,878	16,134	(22,541)	5,865	7,336
Landscape Grant	59	-	-	(59)	-
Writing Club	5	28	-	-	33
CPR/HOSA	155	5,562	(5,089)	(4)	624
Memorial Garden	2,454	-	(1,174)	59	1,339
King's Cause	20	-	-	(20)	-
Child Development	-	60	(250)	230	40
Region 15 FCCLA	-	4,683	(785)	-	3,898
Total	\$ 198,628	\$ 453,847	\$ (489,084)	\$ -	\$ 163,391

FRANKLIN COUNTY SCHOOL DISTRICT
ELEMENTARY AND MIDDLE SCHOOLS ACTIVITY FUNDS
ALL FUNDS COMBINED
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
For the year ended June 30, 2014

	Fund Balance June 30, 2013	Receipts	Disburse- ments	Fund Balance June 30, 2014
Franklin County Elementary Schools				
Bridgeport	\$ 21,034	\$ 55,326	\$ (46,560)	\$ 29,800
Collins Lane	9,087	51,832	(50,760)	10,159
Elkhorn	11,254	37,429	(34,346)	14,337
Hearn	32,367	62,378	(69,304)	25,441
Peaks Mill	10,303	24,416	(20,862)	13,857
Westridge	30,984	65,399	(65,190)	31,193
Franklin County Middle Schools				
Bondurant	149,457	292,308	(312,388)	129,377
Elkhorn	70,561	155,834	(145,933)	80,462
Early Learning Village - East	18,114	46,959	(40,715)	24,358
Franklin Career and Technical Center	31,313	34,789	(38,116)	27,986
FFA Escrow Account	42,601	28	-	42,629
Total	<u><u>\$ 427,075</u></u>	<u><u>\$ 826,698</u></u>	<u><u>\$ (824,174)</u></u>	<u><u>\$ 429,599</u></u>

FRANKLIN COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Program Title</u>	<u>Munis Number</u>	<u>Federal CFDA No.</u>	<u>Award Expenditures</u>	<u>Total By CFDA No.</u>	
U. S. DEPARTMENT OF AGRICULTURE		<i>Cluster</i>			
<i>Passed Through Kentucky Department of Education:</i>					
<u>Child Nutrition Cluster</u>					
School Breakfast Program	2030	10.553	\$ 387,563		
National School Lunch Program	2050	10.555	1,307,625		
Summer Food Service program for Children	2090	10.559	32,810	\$ 1,727,998	**
<i>Passed Through Kentucky Department of Agriculture:</i>					
Commodity Supplemental Food Program	2010	10.565	197,025	197,025	
TOTAL U.S. DEPARTMENT OF AGRICULTURE				1,925,023	
 U. S. DEPARTMENT OF EDUCATION					
<i>Passed Through Kentucky Department of Education:</i>					
<u>Title I Cluster</u>					
Title I: Part A - Improving Basic Programs	3103	84.010	373,541		
Title I: Part A - Improving Basic Programs	3104	84.010	996,922		
Title I - Prof Dev - Parent Involvement	3104M	84.010	2,957		
Title I - Delinquent Children in LEA Schools	3144	84.010	12,257		
Title I - School Improvement (Part A)	3202	84.010	896	1,386,573	**
Title 1 - Neglected & Delinquent Children	3132	84.013	6,000		
Title 1 - Neglected & Delinquent Children	3133	84.013	7,957		
Title 1 - Neglected & Delinquent Children (Transition)	3133T	84.013	1,333		
Title 1 - Neglected & Delinquent Children	3134	84.013	10,480		
Title 1 - Neglected & Delinquent Children (Transition)	3134T	84.013	2,360	28,130	
<u>Special Education Cluster</u>					
IDEA B - BASIC	3372	84.027	362,830		
IDEA B - BASIC	3373	84.027	733,687		
IDEA B - Private Schools	3372P	84.027	6,700		
IDEA B - Private Schools	3373P	84.027	4,157		
IDEA P - Preschool	3432	84.173	19,354		
IDEA P - Preschool	3433	84.173	35,551	1,162,279	**
Career and Technical Education (Perkins)	3483	84.048	11,345		
Career and Technical Education (Perkins)	3484	84.048	55,608	66,953	
Service Projects - Project Respect	3783	84.128	2,119		
Service Projects - Project Respect	3784	84.128	12,209	14,328	
Perkins Reserve Grant Fund	3633	84.243	19,291	19,291	
Title III - Limited English Proficiency	3453	84.365	5,120		
Title III - Limited English Proficiency	3454	84.365	25,658	30,778	
Title II: Part A - High Quality Teachers & Principals	4013	84.367	129,803		

See accompanying notes to Schedule of Expenditures of Federal Awards

FRANKLIN COUNTY PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Program Title</u>	<u>Munis Number</u>	<u>Federal CFDA No.</u>	<u>Award Expenditures</u>	<u>Total By CFDA No.</u>	
U. S. DEPARTMENT OF EDUCATION		<i>Cluster</i>			
Title II: Part A - High Quality Teachers & Principals	4014	84.367	190,114	319,917	**
Race To The Top	4521	84.413A	21,208	21,208	
Investing in Innovation	4913	84.411	1,207		
Investing in Innovation	4914	84.411	2,824	4,031	
TOTAL U.S. DEPARTMENT OF EDUCATION				3,053,488	
TOTAL EXPENDITURES OF FEDERAL AWARDS				4,978,511	

Tested as major program or cluster **

FRANKLIN COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2014

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of Franklin County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION PROGRAM

Non-monetary assistance is reported in the Schedule at the fair value of the commodities received. For the 2014 NSLP fiscal year ending September 30, 2014, Franklin Co Public Schools was awarded \$198,015 in commodities. Through June 30, 2014, \$197,025 has been received with \$181,434 passed through the U.S. Department of Agriculture and \$15,591 passed through the U.S. Department of Defense.

For the year ended June 30, 2014

Financial statements:

Federal Awards:

Identification of major programs:

• Dollar threshold used to distinguish between type A and type B programs				\$300,000
• Auditee qualified as low-risk auditee?	Yes	X	No	

Prior Year Findings: No matters reported

Prior Year Findings: No matters were reported

FRANKLIN COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2014

Prior Year Comments: No matters reported

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Franklin County School District
Frankfort, Kentucky

<p>INDEPENDENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</p>
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We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the *Independent Auditor's Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Franklin County School District's basic financial statements, and have issued our report thereon dated November 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Franklin County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Franklin County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weakness may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Franklin County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the Independent Auditor's Contract.

We noted certain matters that we reported to management of Franklin County School District in a separate letter dated November 12, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ross and Company", is written over a horizontal line.

Ross and Company, PLLC
November 12, 2014

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299-1837
Telephone (502) 499-9088
Facsimile (502) 499-9132

Members of the Board
Franklin County School District
Frankfort, Kentucky

**INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited Franklin County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Franklin County School District's major federal programs for the year ended June 30, 2014. Franklin County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Franklin County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and the requirements prescribed by the Kentucky State Committee for School District Audits in Appendices I and II of the Independent Auditor's Contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin County School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Franklin County School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Franklin County School District complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2014.

INDEPENDENT REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Report Internal Control over Compliance

Management of Franklin County School District is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin County School District's internal control over compliance with the types requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of the internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", is written over a horizontal line.

Ross & Company, PLLC
November 12, 2014

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Frankfort, Kentucky

RECOMMENDATIONS AND COMMENTS TO MANAGEMENT

In planning and performing our audit, we considered Franklin County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Franklin County School District's internal control over financial reporting.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 12, 2014. This letter does not affect our report dated November 12, 2014, on the financial statements of the Franklin County School District. The conditions observed are as follows:

Current Year Findings –

2014-01: Ticket Sales (Redbook)

Statement of Condition: Ticket Sales were not turned in to the school treasurer on the next working day following the event.

Criteria for Condition: Ticket sales money should be deposited in the school safe or night depository if collected after business hours per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Ticket Sales were not deposited the next day after an event.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for

Correction: Ticket sales should be deposited the day after the event.

Management's Response: Finance office has met with staff and will meet with them again to remind them of the importance of depositing money in a timely manner.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2014
(Continued)

2014-02: Handling Cash, (Redbook)

Statement of Condition: Money collected by a teacher/sponsor was not given to the school treasurer on the day of collection.

Criteria for Condition: All money collected by a teacher/sponsor shall be given to the school treasurer on the day of collection per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: It appeared teachers/sponsors held money/checks for a length of time before submitting them to the school treasurer.

Effect of the Condition: Money is not deposited in a timely manner.

Recommendation for

Correction: Teachers/sponsors should deliver all money to school treasurer on date of collection.

Management's Response: Finance office has met with staff and will meet with them again to remind them of the importance of turning money in a timely manner.

2014-03: Use of Purchase Orders, (Redbook)

Statement of Condition: Purchase orders were not prepared correctly.

Criteria for Condition: A Purchase Order shall be prepared and approved by the sponsor and principal before the payment is obligated per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Purchase orders did not have a description of expected purchase; only a "do not exceed" note.

Effect of the Condition: Proper approval of purchase was not possible since PO was not prepared with description of expected purchase.

Recommendation for

Correction: A purchase order shall be completed with description of expected purchase before approval.

Management's Response: Finance officer has met with staff and will meet with again to reiterate the importance of pre-approved purchases.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2014
(Continued)

2014-04: Lack of Approval by Superintendent

Statement of Condition: Activity Fund purchase orders over \$1,000 were not approved by the Superintendent.

Criteria for Condition: All activity fund purchase orders over \$1,000 should be approved by the Superintendent per Franklin County School Board policy.

Cause of the Condition: POs over \$1,000 were not submitted to the Superintendent for approval.

Effect of the Condition: Purchases lacked proper approval and could result in disallowed expenditures.

Recommendation for

Correction: All activity fund purchase orders over \$1,000 should be submitted to superintendent for approval prior to purchase.

Management's Response: Finance Officer has met with staff and will continuing to monitor progress.

2014-05 Lack of Two Signatures

Statement of Condition: In the beginning of the school year at Early Learning Village, several checks only had one signature.

Criteria for Condition: All checks written on the Activity Fund shall contain the signatures of the principal or his designee, and the school treasurer per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: The school treasurer did not sign all checks to ensure two authorizing signatures.

Effect of the Condition: Paid expenditures were not properly authorized with two signatures.

Recommendation for

Correction: All checks must be signed by the principal and school treasurer or designee. Franklin County Board has the Finance Officer listed as a designee for all activity funds if one of above positions is not available.

Management's Response: Finance Officer will meet with staff and remind them to make sure checks have two signatures before they are distributed.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2014
(Continued)

2014-06 No Invoice Documentation

Statement of Condition: Checks were issued without a vendor or standard invoice.

Criteria for Condition: The school treasurer shall match up the purchase order, shipping document (if applicable), and vendor or standard invoice and verify that all items ordered have been received, services have been satisfactorily performed, all amounts agree, and that all necessary approvals and signatures have been obtained. Any problems or discrepancies shall be resolved before a check is written per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Auditors observed two instances where a check was cut without an invoice from the vendor or a standard invoice completed/ signed by the vendor.

Effect of the Condition: Purchases were made without proper supporting documentation.

Recommendation for

Correction: The vendor or standard invoice must have a confirmation signature of the person receiving the goods or services before the payment process can continue.

Management's Response: Finance Officer has met with staff and will continuing to audit these accounts to check for appropriate documentations.

2014-07 Missing Concession Form (F-SA-17)

Statement of Condition: Concessions were not documented on the Concession form and turned into the school treasurer the next business day after the event.

Criteria for Condition: Form (Form F-SA-17) is to be used each time money is collected for concessions and turned in with the money to the school treasurer the next business day following the event per Accounting Procedures for Kentucky School Activity Funds, "Redbook."

Cause of the Condition: Concessions forms were not completed by the booster club and turned in on a timely manner.

Effect of the Condition: The school treasurer was not given proper documentation or money to deposit timely.

Recommendation for

Correction: The Concession form must be completed for each event and each time money is collected from the activity. There shall be two different individuals involved: one individual to collect and count the monies from sales and a separate individual to complete the Inventory Control Worksheet (F-SA-5). All money should be turned into the school treasurer the next business day following the event.

Management's Response: Finance Officer will work with staff to ensure this is corrected and will monitor future concession events to make sure appropriate forms are used.

FRANKLIN COUNTY SCHOOL DISTRICT
RECOMMENDATION AND COMMENTS TO MANAGEMENT
JUNE 30, 2014
(Continued)

Prior year comments-

2013-01:	<u>Deposits over \$100, (Redbook)</u>	CORRECTED
2013-02:	<u>Ticket Sales (Redbook)</u>	REPEAT
2013-03:	<u>Handling Cash, (Redbook)</u>	REPEAT
2013-04:	<u>Multiple Receipt Forms, (Redbook)</u>	CORRECTED
2013-05:	<u>Use of Purchase Orders, (Redbook)</u>	REPEAT
2013-06:	<u>Lack of Approval by Superintendent (Activity Funds)</u>	REPEAT
2013-07:	<u>Insufficient Funds Recording (Redbook)</u>	CORRECTED
2013-08:	<u>Issuance of Receipts, (Redbook)</u>	CORRECTED
2013-09:	<u>Child Care Expense Paid Out of Activity Funds (Activity Funds)</u>	CORRECTED
2013-10:	<u>Activity Funds Used For Construction and Renovations (Redbook)</u>	CORRECTED
2013-11:	<u>Lack use of Fund-Raising Worksheet (Redbook)</u>	CORRECTED
2013-12:	<u>Principal's Signature (Redbook)</u>	REPEAT

If any action occurs after this exit conference date, which affects the significant or material findings, it is the responsibility of management to provide that information to the auditors.

We sincerely appreciate the courtesy extended to our audit staff again this year. Of course, should you have any questions or concerns regarding your audit, please feel free to contact us.

Respectfully Submitted,



Ross & Company, PLLC
November 12, 2014